

Impressive numbers in tough environment; outlook upbeat

Q4FY20 revenues grew 13.7% YoY to ₹ 607.3 crore on the back of strong growth in discovery and development services business. EBITDA margins were up 371 bps YoY at 33.6% on account of better gross margins and lower other expenditure. EBITDA grew 27.9% YoY to ₹ 204.1 crore. Net profit grew 20.4% YoY to ₹ 120.2 crore. Delta vis-a-vis EBITDA was mainly due to higher depreciation.

Integrated business model, customer stickiness to the fore

Revenues grew at ~16% CAGR in FY16-20 to ₹ 2012 crore due to new client addition on a regular basis and scaled up revenues from existing clients led by integrated service offerings, high data integrity ethos and continuous endeavour to move up the value chain. Eight of the top 10 global pharma companies have been availing services for the last five years. It owns a pool of 4240 scientists. The client base has grown from 256 to 362 over FY16-20.

Global pharma landscape conducive to R&D outsourcing

Global pharma players are facing structural issues from the impending patent cliff, a shrinking product pipeline, rising R&D costs and growing competition. To maintain the structural balance and improve profitability, they are inclined to outsource a substantial part of the R&D work. Similarly, the innovative/virtual companies that are extensively working on new products and which may not have the required capital/manpower also tend to outsource a substantial part of their R&D.

Valuation & Outlook

Q4 numbers were a significant beat despite Covid 19 related BCP challenges, which validates stickiness of the business in a tough environment. Although the management does expect some impact in Q1FY21 both on topline and profitability, they are guiding double-digit revenues growth on the back of continuous client additions, an extension of existing contracts, increasing manufacturing and biological contributions besides currency tailwinds. Profitability is likely to be muted due to incremental opex and higher depreciation. The company remains aggressive on the capex front (~US\$451 million already spent & another ~US\$100 million earmarked by FY21), attributable to order book visibility. Asset turnover from this mega capex will be a significant determinant for improvement in return ratios, going ahead. With elite client additions like Amgen, Zoetis, Herbalife, GSK, etc, and multiple year extension of BMS and Baxter contracts, the company remains well poised to capture opportunities in the global CRO space. We arrive at a target price of ₹ 390 based on ~32x FY22 EPS of ₹ 12.2.



Particulars

Particular	Amount
Market Capitalisation	₹13312 crore
Debt (FY 20)	₹651 crore
Cash (FY 20)	₹282 crore
EV	₹13682 crore
52 week H/L	369/202
Equity capital	₹400.0 crore
Face value	₹10

Key Highlights

- Q4 numbers beat I-direct estimates on all fronts
- On account of temporary shutdown of operations amid lockdown, the management expects flattish revenue growth and ~25% decline in margins for Q1FY21
- For FY21, the management expects double-digit revenues growth and flattish net profit
- Maintain BUY

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Key Financial Summary

(Year End March)	FY19	FY20	FY21E	FY22E	CAGR (FY20-22)
Revenues (₹crore)	1825.6	2011.8	2277.4	2642.5	14.6
EBITDA (₹crore)	535.8	617.8	709.7	887.6	19.9
EBITDA margins (%)	29.3	30.7	31.2	33.6	
Net Profit (₹crore)	330.8	412.0	344.4	487.5	8.8
EPS (₹)	8.3	8.5	8.6	12.2	
P/E (x)	40.2	32.3	38.6	27.3	
RoCE (%)	16.8	15.7	13.7	16.3	
RoE (x)	14.8	15.0	12.9	16.4	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q4FY20	Q4FY20E	Q4FY19	Q3FY20	YoY (%)	QoQ (%)	Comments
Revenue	607.3	577.0	533.9	519.1	13.7	17.0	YoY growth driven by strong growth in Discovery and Development Services. Beat vis-à-vis I-direct mainly due to lower-than-expected impact of Covid-19 disturbance
Raw Material Expense:	144.2	161.5	149.6	144.6	-3.6	-0.3	A 428 bps YoY improvement in gross margins, mainly due to a change in product mix towards margin accretive discovery services
Employee Expenses	164.1	169.3	130.2	152.3	26.0	7.7	YoY increase due to 1) ~12% of salary hike 2) 4% impact amid recruitment in new Hyderabad, Mangaluru and Bengaluru plants and 3) 10% impact owing to restructuring and hiring at senior level management
Other Expenditure	94.9	80.8	94.5	68.7	0.4	38.1	
EBITDA	204.1	165.4	159.6	153.5	27.9	33.0	
EBITDA (%)	33.6	28.7	29.9	29.6	371 bps	404 bps	YoY increase and beat vis-à-vis I-direct estimates mainly due to robust gross margins performance
Interest	9.3	9.8	8.0	9.8	16.3	-5.1	
Depreciation	62.3	57.0	44.1	57.0	41.3	9.3	YoY increase mainly due to additional depreciation reported due to commissioning of Hyderabad and Mangalore plants and expansion at Bengaluru
Other Income	20.5	22.2	20.8	20.0	-1.4	2.5	
PBT	153.0	120.8	128.3	106.7	19.3	43.4	
Tax	32.8	24.1	28.5	14.9	15.1	120.1	
PAT before MI	120.2	96.7	99.8	91.8	20.4	30.9	
Adj. Net Profit	120.2	96.7	99.8	91.8	20.4	30.9	YoY increase and beat vis-à-vis I-direct estimates mainly due to strong operational performance

Source: ICICI Direct Research

Exhibit 2: Change in Estimates

(₹ Crore)	FY21E			FY22E			
	Old	New	% Change	Old	New	% Change	
Revenue	2,373.2	2,277.4	-4.0	2,758.9	2,642.5	-4.2	Incorporated Covid-19 impact as per management guidance
EBITDA	740.1	709.7	-4.1	877.1	887.6	1.2	
EBITDA Margin (%)	31.2	31.2	-4 bps	31.8	33.6	180 bps	
PAT	385.9	344.4	-10.7	482.3	487.5	1.1	Incorporated Covid-19 impact as per management guidance
EPS (₹)	9.6	8.6	-10.3	12.1	12.2	1.1	

Source: ICICI Direct Research

Conference Call Highlights

- Breakup of revenue mix for FY20: Discovery services – 32%; Development & manufacturing services – 37% and Dedicated R&D – 31%
- Covid-19 impact: Q4FY20 witnessed a positive impact as clients fast-tracked their projects before shutdown. During the first few weeks of April, certain critical services within the Development and Manufacturing areas had been operating with below 10% staff as per government mandate. While the first three weeks of April saw a complete operational shutdown, the company gradually resumed operation from April 20, 2020 onwards. Currently, the company is operating at 70% capacity. It is looking to ramp up to 100% capacity by end of May
- The management expects marked impact on Q1FY21 due to Covid-19 related shutdown. As per management, Q1FY21 revenues are likely remain to remain flat YoY. However, Q2 and Q3 are likely to be normal
- Total 150,000 sq ft Bengaluru research facility commissioned in Q4FY20. This will house Discovery Biology, QC Microbiology among other research services
- Started RT-PCR Covid-19 testing centre in Bengaluru to support the local community and hospitals. For reagent supplies, it has entered into a partnership with Pune based Mylab
- Mangalore API facility construction has been completed, started qualification procedures (first batch produced) and is likely to be commercialised by end of year. The cumulative capex on this facility is at ~US\$75 million. The same will be fully capitalised in FY21
- The first phase of its new Hyderabad R&D centre in Genome valley has also been commissioned
- Increase in staff expenses : 4% related to Hyderabad + Mangalore commissioning; 12% related to salary hikes; 10% related to restructuring and hiring of middle/senior management
- Increase in depreciation due to Hyderabad, Mangalore and Bengaluru facilities
- The incremental gross margin performance was on account of lower power cost (down 4% YoY) and low RM cost in its discovery segment
- Capex for FY20 is at US\$108 million with the Mangalore API facility accounting for US\$43 million, Discovery services – US\$28 million, Dedicated centres – US\$25 million and the biologics segment – US\$12 million
- Cumulative capex as of FY20 - US\$451 million. The company is on track to take total asset base to US\$550 million by end of FY21. Hence, an additional capex of US\$100 million is planned for FY21
- The management has maintained double digit revenue growth guidance for FY21 barring any unforeseen circumstances. In contrast, PAT is expected to remain flat in this fiscal owing to operational costs and capitalisation of new facilities
- Currently, the company has a hedge book of ~US\$550 million
- In order to prioritise its liquidity position, the company has decided not to declare a dividend for FY20 on account of Covid-19

Exhibit 3: Trends in quarterly performance

(₹Crore)	14FY17	14FY18	15FY18	15FY19	16FY18	16FY19	17FY19	18FY19	19FY19	20FY19	21FY20	22FY20	23FY20	24FY20	YoY (%)	QoQ (%)
Total Operating I	291.0	291.1	335.2	387.7	409.1	406.0	418.6	467.1	533.9	420.9	464.5	519.1	607.3		13.7	17.0
Raw Material Ex	88.0	69.3	80.0	106.8	125.6	128.8	110.3	142.6	149.6	105.5	125.1	144.6	144.2		-3.6	-0.3
% to revenues	30.2	23.8	23.9	27.5	30.7	31.7	26.3	30.5	28.0	25.1	26.9	27.9	23.7			
Gross Profit	203.0	221.8	255.2	280.9	283.5	277.2	308.3	324.5	384.3	315.4	339.4	374.5	463.1		20.5	23.7
Gross Profit Mar	69.8	76.2	76.1	72.5	69.3	68.3	73.7	69.5	72.0	74.9	73.1	72.1	76.3		428 bps	411 bps
Employee Exper	78.0	86.0	93.7	95.8	104.1	105.6	114.9	116.6	130.2	132.2	131.8	152.3	164.1		26.0	7.7
% to revenues	26.8	29.5	28.0	24.7	25.4	26.0	27.4	25.0	24.4	31.4	28.4	29.3	27.0		263 bps	-232 bps
Other Manufactu	25.0	39.8	48.0	58.9	50.3	62.4	66.7	67.6	94.5	62.1	68.5	68.7	94.9		0.4	38.1
% to revenues	8.6	13.7	14.3	15.2	12.3	15.4	15.9	14.5	17.7	14.8	14.7	13.2	15.6		-207 bps	239 bps
Total Expenditur	191.0	195.1	221.7	261.5	280.0	296.8	291.9	326.8	374.3	299.8	325.4	365.6	403.2		7.7	10.3
% to revenues	65.6	67.0	66.1	67.4	68.4	73.1	69.7	70.0	70.1	71.2	70.1	70.4	66.4			
EBIDTA	100.0	96.0	113.5	126.2	129.1	109.2	126.7	140.3	159.6	121.1	139.1	153.5	204.1		27.9	33.0
EBITDA Margin	34.4	33.0	33.9	32.6	31.6	26.9	30.3	30.0	29.9	28.8	29.9	29.6	33.6		371 bps	404 bps
Depreciation	31.0	31.9	30.3	35.0	34.2	37.3	39.9	42.9	44.1	47.4	52.6	57.0	62.3		41.3	9.3
Interest	3.0	5.3	5.2	5.1	7.1	7.9	8.2	8.2	8.0	7.1	8.4	9.8	9.3		16.3	-5.1
Other Income	24.0	17.2	16.4	11.6	16.6	18.8	18.2	17.3	20.8	20.5	20.6	20.0	20.5		-1.4	2.5
PBT	90.0	76.0	94.4	97.7	104.4	82.8	96.8	106.5	128.3	87.1	98.7	106.7	153.0		19.3	43.4
Total Tax	12.0	14.0	17.5	15.7	19.9	16.8	18.5	19.8	28.5	15.1	42.0	14.9	32.8		15.1	120.1
PAT	78.0	62.0	76.9	82.0	84.5	66.0	78.3	86.7	99.8	72.0	56.7	91.8	120.2		20.4	30.9
PAT Margin (%)	26.8	21.3	22.9	21.2	20.7	16.3	18.7	18.6	18.7	17.1	12.2	17.7	19.8		110 bps	211 bps

Source: ICICI Direct Research

Company Background

Incorporated in 1993 as a subsidiary of Biocon, Syngene International (SIL) is a leading contract research organisation (CRO), which supports R&D programmes of global innovative companies. SIL offers outsourced services to support discovery and development for organisations across industrial sectors like pharmaceuticals, biopharmaceuticals, nutraceuticals, animal health, agro-chemicals, etc. It currently caters to 362 global players including Bristol-Myers Squibb (BMS), Abbott, Baxter and Amgen, among others.

SIL derives ~95% of its revenues from exports. In terms of classification on a contractual basis, it derives ~31% of revenues from long term dedicated contracts with a contractual commitment of five years and more. In this case, the company offers a dedicated, customised and ring-fenced infrastructure in line with client's requirements. These dedicated centres are generally multi-disciplinary, full time engagements, which support the R&D requirements of clients.

The remaining comes from 1) discovery services (32% of revenues; full time equipment (FTE)) and 2) development & manufacturing services [37% of revenues; fee for service (FFS)].

The discovery services vertical consists of multiple client engagements across discovery chemistry and discovery biology based service offerings. It entails an in-depth understanding of discovery chemistry and discovery biology pertaining to small and large molecules.

The development and manufacturing segment encompasses the services, which support a molecule once it moves beyond in-vivo testing to preclinical studies and clinical development. It also includes manufacturing of molecules for clinical supplies and commercialisation.

In FTE contracts, the company does billing based on the number of scientists deployed. In this case, there is an agreement with clients for minimum utilisation of a specific number of scientists dedicated to their work. The scope of services and deliverables under FTE contracts generally evolves over time. FTE contracts are generally renewable annually. FFS contracts are mostly short-term in nature. In FFS contracts, the agreement is for fixed price for agreed services within a defined scope.

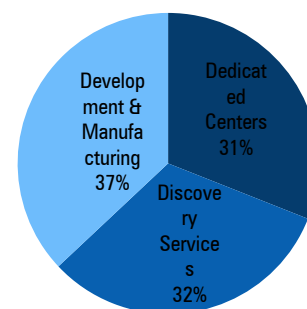
The company has developed long-term relationships with many clients, including four long-duration multi-disciplinary partnerships, each with a dedicated research centre, with four of the world's leading global healthcare organisations Bristol-Myers Squibb Company (BMS), Abbott Laboratories (Singapore) Pte Ltd (Abbott), Baxter International Inc. (Baxter) and Amgen.

BMS – The first dedicated centre was set up for BMS in 2009 and engages over 500 of scientists. Under the new agreement in Q3FY18, Syngene will set up an additional new facility. It will put up a dedicated team of Syngene scientists within that and support the future R&D requirements of BMS. The duration of the collaboration has been extended to 2026

Baxter – Dedicated centre developed in 2013. The Baxter Global Research Centre has a multidisciplinary team of about >175 of scientists who work on product and analytical development, preclinical evaluation in parenteral nutrition and renal therapy. The company has recently expanded its contract with Baxter till 2024. Under the new extension of contract, Syngene will set up additional infrastructure as well as increase the size of its scientific team.

Amgen – In Q2FY17, the company announced the establishment of a dedicated centre for Amgen, Inc. in Bengaluru. This centre, named Syngene Amgen Research and Development Centre (SARC), will be Syngene's fourth such exclusive R&D centre and first for a biologics company. SARC will be staffed by a team of more than 100 Syngene

Revenue Bifurcation



Source: ICICI Direct Research; Company

scientists, working with Amgen researchers around the world on the discovery and development of innovative medicines. In Q1FY18, the company expanded its SARC collaboration to 50000 square feet floor space and ~185 Syngene scientists

Herbalife- in Q3FY17, Herbalife announced the opening of its first R&D centre in India in Partnership with Syngene. The 3000 sq ft facility will be located inside the Syngene Bengaluru campus.

The company owns the largest CRO facility in India, spread over 1,300,000 sq ft, in Bengaluru. The facility has been accredited with major regulatory compliance. It operates laboratory and manufacturing facilities to standards that are consistent with the requirements of its large global clients. In the last three years, the USFDA has cleared five audits without 483 observations.

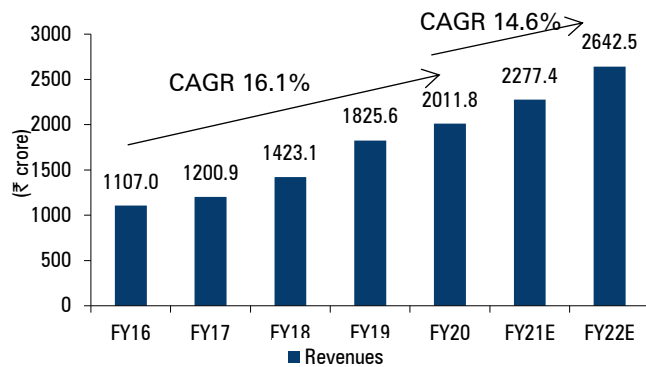
Apart from this, it is in the process of establishing a new commercial-scale facility in Mangaluru (SEZ) to manufacture novel small molecules for innovator companies as it plans to foray into commercial manufacturing for customers.

The company has signed commercial contracts for late stage products with existing clients. Of this, two molecules have already been commercialised and the company has started supply of intermediaries for these products. The company's existing facility at Bengaluru would initially support SIL's CMO business. This novel CMO business would extend the company's services to existing customers. The CMO business is expected to start meaningful contribution from FY18E. In addition, the company is in the process of setting up a new unit for biologic manufacturing in Bengaluru. We believe the CMO business would be an add-on driver for the company over medium to long term.

The company intends to evolve from a CRO into a contract research and manufacturing services (CRAMS) organisation with commercial-scale manufacturing capabilities. This is in keeping with SIL's plan to leverage its existing relationships with clients and provide forward integration on the discovery and development continuum.

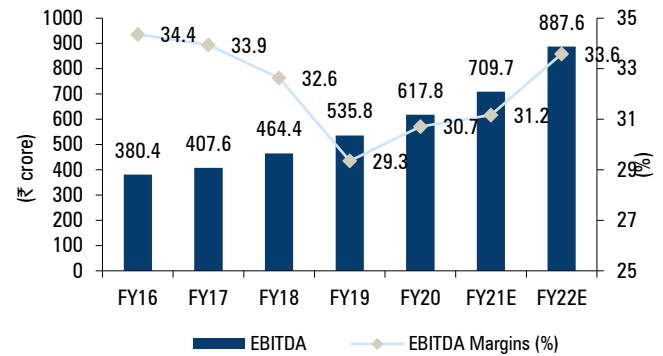
Key Metrics

Exhibit 4: Revenues to grow at CAGR of 15% over FY20-22E



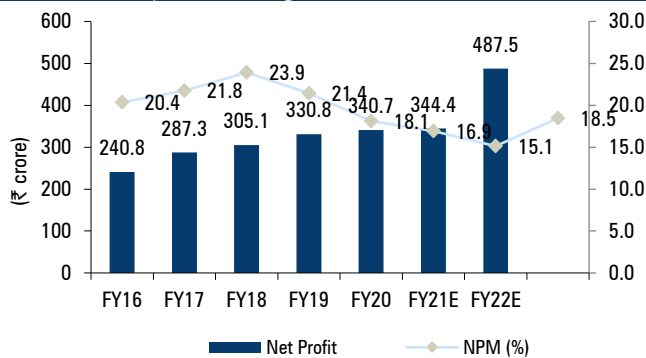
Source: ICICI Direct Research, Company

Exhibit 5: EBITDA and EBITDA margins trend



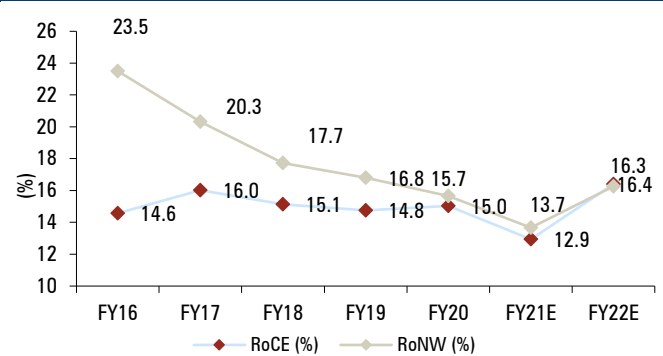
Source: ICICI Direct Research, Company

Exhibit 6: Net profit & margins trend



Source: ICICI Direct Research, Company

Exhibit 7: Return ratios



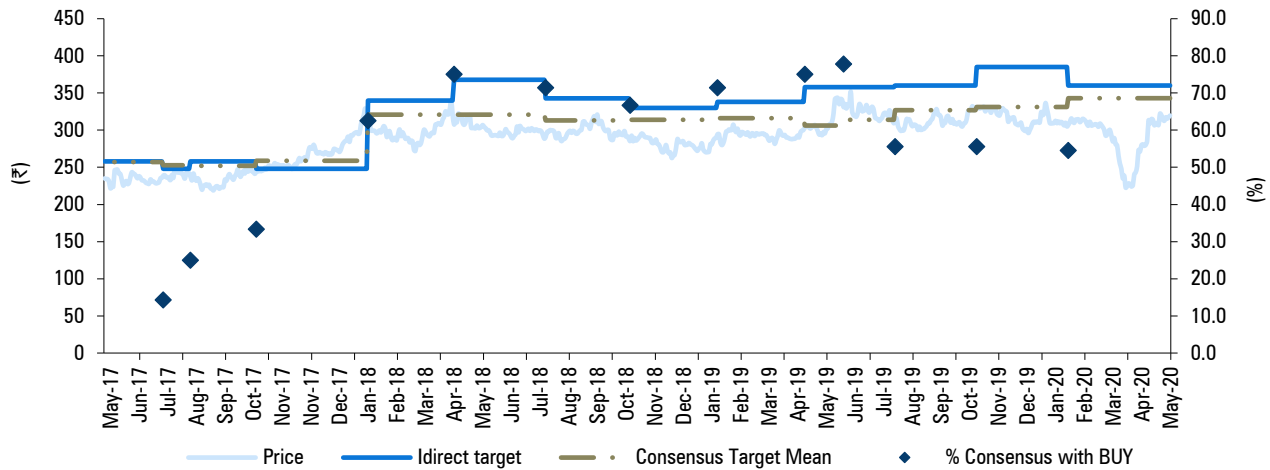
Source: ICICI Direct Research, Company

Exhibit 8: Valuation

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E V/EBITDA (x)	RoE (%)	RoCE (%)
FY19	1826	28.3	8.3	8.4	40.2	24.2	16.8
FY20	2012	10.2	8.5	3.0	32.3	21.0	15.0
FY21E	2277	13.2	8.6	1.1	38.6	19.0	13.7
FY22E	2642	16.0	12.2	41.6	27.3	14.6	16.3

Source: ICICI Direct Research

Exhibit 9: Recommendation history vs. Consensus



Source: ICICI Direct Research; Bloomberg

Exhibit 10: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	Position (m)	Change
1	Biocon Ltd	31-Mar-20	70.2	280.97m	0.0m
2	Mirae Asset Global Investments Co	31-Mar-20	2.5	9.92m	0.1m
3	Camas Investments	31-Dec-19	2.4	9.57m	0.0m
4	Standard Life Aberdeen PLC	31-Mar-20	2.3	9.28m	0.6m
5	Reliance Capital Trustee Co Ltd	10-May-20	2.2	8.96m	1.0m
6	UTI Asset Management Co Ltd	31-Mar-20	1.4	5.67m	0.1m
7	Aberdeen Asset Management	30-Jun-19	1.1	4.56m	4.6m
8	Hillhouse Capital Advisors Ltd	30-Jun-19	1.0	4.04m	(0.3)m
9	Matthews International Capital Man	31-Dec-19	1.0	4.02m	(1.6)m
10	Biocon Emp Welfare Trust	30-Jun-19	0.8	3.10m	3.1m

Source: ICICI Direct Research, Bloomberg

Exhibit 11: Shareholding Pattern

(in %)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoter	71.1	71.0	70.8	70.7	70.7
Public	27.9	27.9	28.3	28.4	28.4
Others	1.1	1.1	0.9	0.9	0.9

Source: ICICI Direct Research, Company

Financial Summary

Exhibit 12: Profit and loss statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Total Operating Income	1,825.6	2,011.8	2,277.4	2,642.5
Growth (%)	28.3	10.2	13.2	16.0
Raw Material Expenses	531.3	519.4	610.7	707.3
Gross Profit	1,294.3	1,492.4	1,666.6	1,935.1
Gross Profit Margins (%)	70.9	74.2	73.2	73.2
Employee Expenses	467.3	580.4	623.9	677.6
Other Expenditure	535.8	617.8	709.7	887.6
Total Operating Expenditure	1,534.4	1,717.6	1,944.3	2,272.5
Operating Profit (EBITDA)	535.8	617.8	709.7	887.6
Growth (%)	15.4	15.3	14.9	25.1
Interest	32.3	34.6	37.2	20.1
Depreciation	164.2	219.3	291.3	325.3
Other Income	75.1	81.6	44.1	59.6
PBT after Exceptional Itc	414.4	516.8	425.2	601.9
Total Tax	83.6	104.8	80.8	114.4
PAT before MI	330.8	412.0	344.4	487.5
Minority Interest	0.0	0.0	0.0	0.0
PAT	330.8	412.0	344.4	487.5
Adjusted PAT	330.8	340.7	344.4	487.5
Growth (%)	8.4	3.0	1.1	41.6
EPS (Adjusted)	8.3	8.5	8.6	12.2

Source: ICICI Direct Research

Exhibit 13: Cash Flow Statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Profit/(Loss) after taxation	235.5	412.1	344.4	487.5
Add: Depreciation & Amortiz	164.2	219.3	291.3	325.3
Other operating activities	18.7	-33.0	0.0	0.0
Net Increase in Current Asse	-40.4	-191.5	-162.8	-94.2
Net Increase in Current Liabi	222.5	235.6	-138.3	75.8
CF from operating activitie	630.4	677.1	371.9	814.4
(Inc)/dec in Fixed Assets	-583.3	-643.1	-793.5	-296.0
(Inc)/dec in Investments	98.5	125.6	500.0	-100.0
Other Investing Activities	-479.0	-89.5	-72.9	12.6
CF from investing activitie	-963.8	-607.0	-366.5	-383.4
Inc / (Dec) in Equity Capital	1.9	0.7	0.0	0.0
Inc / (Dec) in Loan funds	-20.3	-162.0	0.0	-300.0
Dividend & Dividend Tax	-24.1	-24.1	0.0	-10.3
Others	-29.9	-40.1	-37.2	-20.1
CF from financing activitie	-72.4	-225.5	-37.2	-330.3
Net Cash flow	-405.8	-155.4	-31.8	100.8
Opening Cash	842.7	436.9	281.5	249.7
Closing Cash	436.9	281.5	249.7	350.5
Free Cash Flow	47.1	34.0	-421.6	518.4

Source: ICICI Direct Research

Exhibit 14: Balance Sheet				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Equity Capital	200.0	400.0	400.0	400.0
Reserve and Surplus	1,768.4	1,775.8	2,120.2	2,597.5
Total Shareholders funds	1,968.4	2,175.8	2,520.2	2,997.5
Total Debt	813.3	651.0	651.0	351.0
Long Term Provisions	37.4	40.9	45.0	49.5
Other Non Current Liabilitie	207.4	325.8	358.4	394.2
Source of Funds	3,026.5	3,193.5	3,574.6	3,792.2
Gross Block	2,121.2	3,023.4	3,816.9	4,112.9
Accumulated Depreciation	784.4	1,003.7	1,295.0	1,620.3
Net Block	1,336.8	2,019.7	2,521.9	2,492.6
Capital WIP	273.7	234.1	234.1	234.1
Fixed Assets	1,610.5	2,253.8	2,756.0	2,726.7
Investments	756.0	776.4	276.4	376.4
Other Non current assets	197.4	135.8	233.1	247.3
Inventory	43.4	25.2	62.4	72.4
Debtors	338.7	398.2	422.5	490.3
Loans and Advances	0.0	0.0	0.0	0.0
Other Current Assets	229.1	169.3	270.6	287.1
Cash	436.9	281.5	249.7	350.5
Total Current Assets	1,048.1	874.2	1,005.2	1,200.2
Creditors	223.5	222.0	278.8	323.5
Provisions	21.0	41.5	41.5	41.5
Deferred tax assets	91.5	122.7	135.0	148.5
Other Current Liabilities	432.5	705.9	510.8	541.9
Total Current Liabilities	677.0	969.4	831.1	906.9
Net Current Assets	371.1	-95.2	174.1	293.3
Application of Funds	3,026.5	3,193.5	3,574.6	3,792.2

Source: ICICI Direct Research

Exhibit 15: Ratio Analysis				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Per share data (₹)				
EPS	8.3	8.5	8.6	12.2
BV	49.2	54.4	63.0	74.9
DPS	0.3	0.0	0.3	0.4
Cash Per Share	10.9	7.0	6.2	8.8
Operating Ratios (%)				
Gross Profit Margins	70.9	74.2	73.2	73.2
EBITDA margins	29.3	30.7	31.2	33.6
Net Profit margins	18.1	16.9	15.1	18.5
Inventory days	8.7	4.6	10.0	10.0
Debtor days	67.7	72.2	67.7	67.7
Creditor days	44.7	40.3	44.7	44.7
EBITDA Conversion Rate	117.7	109.6	52.4	91.8
Gross Asset Turnover	0.9	0.7	0.6	0.6
Return Ratios (%)				
RoE	16.8	15.7	13.7	16.3
RoCE	14.8	15.0	12.9	16.4
RoIC	28.3	23.7	16.8	22.7
Valuation Ratios (x)				
P/E	40.2	32.3	38.6	27.3
EV / EBITDA	24.2	21.0	19.0	14.6
EV / Revenues	7.1	6.4	5.9	4.9
Market Cap / Revenues	7.3	6.6	5.8	5.0
Price to Book Value	6.8	6.1	5.3	4.4
Solvency Ratios (x)				
Debt / Equity	0.4	0.3	0.3	0.1
Debt / EBITDA	1.5	1.1	0.9	0.4
Current Ratio	0.9	0.6	0.9	0.9

Source: ICICI Direct Research

Exhibit 16: ICICI Direct coverage universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP Rating	M Cap (₹cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)				
					FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E	
Ajanta Pharma	AJAPHA	1496	1,700	Buy	13050	43.5	53.1	64.1	77.2	34.4	28.2	23.3	19.4	21.8	24.2	23.4	24.2	17.1	18.1	18.7	19.3
Alembic Pharma	LEMPHA	826	875	Buy	15571	31.4	46.3	41.4	39.8	26.3	17.8	20.0	20.8	19.6	20.6	17.7	16.0	21.8	26.3	19.5	16.2
Apollo Hospital	APOHOS	1307	1,490	Buy	18179	17.0	21.5	35.2	65.7	77.0	60.6	37.1	19.9	8.8	10.4	12.6	16.8	7.1	8.1	11.2	17.9
Aurobindo Pharma	AURPHA	675	770	Buy	39554	42.1	49.2	54.8	59.4	16.0	13.7	12.3	11.4	15.9	17.8	18.1	17.8	17.7	17.4	16.4	15.3
Biocon	BIOCON	341	310	Hold	40872	6.2	6.9	9.5	14.6	54.9	49.2	35.8	23.4	10.9	12.1	14.3	18.5	12.2	11.4	13.8	17.7
Cadila Healthcare	CADHEA	337	375	Hold	34490	18.1	14.3	17.5	20.9	18.7	23.5	19.2	16.1	13.0	10.6	12.1	13.4	17.8	12.9	14.1	14.9
Cipla	CIPLA	573	610	Hold	46173	18.6	20.7	22.7	27.7	30.8	27.7	25.3	20.7	10.9	12.7	13.3	14.8	10.0	10.2	10.2	11.2
Divi's Lab	DIVLAB	2366	2,130	Hold	62809	51.0	49.9	58.4	71.0	46.4	47.5	40.5	33.3	25.5	21.7	21.8	22.8	19.4	16.6	16.9	17.5
Dr Reddy's Laboratories	DRREDD	3794	3,980	Hold	63042	114.7	106.3	152.8	180.8	33.1	35.7	24.8	21.0	11.1	8.4	14.4	17.1	13.6	11.4	14.4	14.9
Glenmark Pharmaceuticals	GLEPHA	345	340	Hold	9735	26.9	26.8	34.6	43.2	12.8	12.9	10.0	8.0	15.3	12.8	14.5	16.1	13.5	12.0	13.5	14.5
Hikal	HIKCHE	106	160	Buy	1305	8.4	9.6	11.1	13.3	12.7	11.0	9.5	7.9	14.3	13.3	13.6	14.5	13.6	14.1	14.2	14.9
Ipca Laboratories	IPCLAB	1598	1,900	Buy	20197	35.1	55.7	65.6	79.3	45.6	28.7	24.4	20.2	15.0	20.5	21.0	21.6	14.2	19.1	18.9	19.2
Lupin	LUPIN	852	745	Hold	38590	16.5	-29.2	18.3	31.1	51.5	-29.2	46.6	27.4	9.4	9.0	7.9	12.3	5.4	-10.0	6.0	9.3
Narayana Hrudayam	NARHRU	260	330	Buy	5313	2.9	6.2	8.2	11.4	89.6	41.6	31.8	22.8	7.7	11.6	12.7	15.3	5.5	10.8	12.5	15.1
Natco Pharma	NATPHA	607	650	Hold	11056	34.9	26.9	24.6	23.4	17.4	22.6	24.7	25.9	21.3	14.6	12.7	11.3	18.5	12.6	10.4	9.1
Sun Pharma	SUNPHA	458	510	Hold	109923	15.9	17.6	18.6	23.2	28.9	26.0	24.6	19.7	10.3	10.8	10.7	12.1	9.2	9.4	9.1	10.2
Syngene International	SYNINT	333	390	Buy	13312	8.3	10.3	8.6	12.2	40.2	32.3	38.6	27.3	14.8	15.0	12.9	16.4	16.8	15.7	13.7	16.3
Torrent Pharmaceuticals	TORPHA	2427	2,395	Hold	41069	48.9	54.4	71.8	92.1	49.6	44.6	33.8	26.3	14.2	15.4	18.5	21.3	17.5	17.0	19.2	20.8

Source: ICICI Direct Research, Bloomberg

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